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10-1-2006

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NSUWorks Citation

Katz, N. H. (2006). Interest-Based Negotiation: Increasing Satisfaction Levels among Critical Stakeholders. *Government Finance Review*, 22 (5), 49-52. Retrieved from https://nsuworks.nova.edu/shss_facarticles/373

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INTEREST-BASED NEGOTIATIONS: A POWERFUL APPROACH FOR INCREASING SATISFACTION LEVELS AMONG CRITICAL STAKEHOLDERS

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Abstract: In an environment of competing demands for limited resources from critical stakeholders, government finance officers need to pay attention to not only *what* they negotiate, but also *how* they negotiate. This article presents some basic elements of an Interest-based Negotiation Approach to increase stakeholder satisfaction levels in terms of the agreement, the relationship among the parties, and the process itself.

A popular slogan advertising some well-known training workshops on negotiations boldly proclaims, “You do not always get what you want or deserve; you do get what you negotiate.” Though many participants in my training events seem to note this as a startling discovery, I suspect that Government Finance Officers are not surprised at the truth or the significant implications of the catchy proclamation. Yet, finance officers might not be fully aware of a negotiation approach that has penetrated both the public and private sectors and has influenced major events such as the prevention of numerous strikes and boycotts, the ending of Apartheid in South Africa, and the Camp David Accords between Israel and Egypt.

Though elements of the Interest-based Negotiation approach have been around for several decades, the phenomenal sales of the book *Getting to Yes: Negotiating Agreement Without Giving In* by Roger Fisher and William Ury of the Harvard Negotiation Project in 1983 served as a catalyst in developing a common language, and a widely recognized set of principles and skills that proved attractive and useful for those seeking a more collaborative, cooperative approach to negotiations. The influence of the approach was strongly aided by an Executive Order signed by then President Clinton and Vice-president Gore in 1993 which directed all Federal Agencies in the United States to conduct training in the Interest-based approach and use it as a primary problem solving tool in labor-management partnership councils. Since then, it is safe to say that the great majority of negotiation training sessions both within and outside the public sector have included major elements from this set of principles and techniques.

To begin to understand the collaborative interest-based approach to negotiation, and to distinguish it from the more competitive position-based approach, we might first consider the classic story of two chefs feverishly concluding preparations for a high profile dinner between their respective Heads of State.¹ One chef, finishing a crepe, requires an orange. The other, preparing a duck sauce, also requires an orange. Unfortunately, there is only one orange left in the kitchen and no others are to be found. Each chef’s stated position, or pre-determined solution, is: “I need the orange!” As the two argue and struggle over the orange, it falls to the floor. A prep cook picks it up and “solves” the zero-sum (fixed quantity) dilemma by cutting the orange in

half, giving one-half to each of the now-appeased chefs, who return to their preparations. Unfortunately, each chef soon realizes that half an orange will not suffice.

As the first chef grates the peel for her crepe, she complains about the small size of her allotted portion, knowing that her diner will not be satisfied with the paucity of flavor he craves. While the first chef voices her dissatisfaction, the second throws his own orange half into the disposal with a contemptuous flair—for he knows his diner will not taste such a small amount of orange pulp in his coveted duck sauce.

What happened to lead to such frustration in our respective chefs? After all, neither subdued the other with force to create a win-lose situation. Was there not a fair compromise when the prep cook split the orange in two? After all, outside of the possibility of one party dominating the other, neither chef should have expected to get everything, right? Absolutely, as long as the chefs negotiated at the level of *positions*. *Positions* are predetermined solutions articulated in statements people use to describe their wants. Examples of position statements would include:

- ▼ “I need the orange!”
- ▼ “I need those resources now!”
- ▼ “I want a raise.”
- ▼ “You must change the way you do your job.”

Interest-Based Negotiation

As you can see in the above illustration, even though the two chefs came out with a fair and equitable solution, neither party got their needs met and both felt completely unsatisfied with the agreement. What a loss of potential! Let us return to our chefs to consider an alternate scenario.

In this scene, both chefs begin to argue and struggle with each other, as before, for the entire orange. This time, however, instead of cutting the orange in half, the prep cook takes it and speaks to each of the chefs, saying: “It’s clear to me that each of you strongly desires the orange and believes you have a legitimate and urgent need. Help me understand what might happen were you to acquire the orange.”

This request moves the chefs from their *positions* regarding the orange to the *interests* driving their stated positions. An *interest* is the main reason behind what they say they want. An *interest*—the motivation behind the stated *position*—is the answer to the question, “What will having that do for you?”

Chef One answers the prep cook’s question by saying: “If I had the orange, I would use the peel to prepare my diner’s favorite crepe and he would be very pleased with me.”


Chef Two offers his answer: “Well, if I had the orange, I would use the meat of it to flavor the duck sauce my diner craves and he would be very pleased with me.”

The prep cook peels the orange, giving the meat of it to Chef Two, who smiles, and the peel to Chef One who gives him a \$10 tip.

Each chef moved beyond simple positional bargaining to state an *interest* for the orange—an essential need or desire which, if satisfied, would cause them each to let go of their original “all-or-nothing” *positions*. The magic of interest-based negotiations is that it frequently uncovers what is most important to the stakeholders and allows people to develop and agree to creative solutions that help to overcome previously intractable differences.

As one can see by the above example, there are two fundamental approaches to negotiations. The first approach, brokered by the prep cook, much more common during traditional forms of negotiation, is known as *position-based negotiation*. Come in with predetermined solutions and stand your ground. The second approach, brokered by our now more resourceful and enlightened prep cook, is known as *interest-based negotiation*, which allows for using creativity and goodwill to uncover ways to meet many of the collective needs of the negotiation parties. Distinctions between the two approaches appear in Table 1.

TABLE 1: COMPARISON OF NEGOTIATION APPROACHES



Position-Based	<i>versus</i>	Interest-Based
<ul style="list-style-type: none"> • Views other as adversary • Approaches negotiation as a struggle one must survive or win • Emphasis on claiming value • Goal is a victory by achieving your predetermined solution • Process dictated by belief that one must impose or sell one’s position • Relies on salesmanship, manipulation, or lying • Might force choice between relationship and substantive goals • Yields reluctantly to pressure from the other side • Usually results in win-lose, lose-win, lose-lose, or compromise outcomes 		<ul style="list-style-type: none"> • Views others as negotiating partner • Approaches negotiation as a challenge for all partners to overcome • Emphasis on creating value • Goal is to create a solution to meet the interests of all parties • Process governed by belief that well-meaning, creative people can articulate options to satisfy mutual interests • Requires honest disclosure of what is important to you • Allows parties to focus on relationship and substance • Willingly revises position when presented with good options • Potentially results in collaborative win-win outcomes

Positional negotiation encounters are often frustrating to both parties and tend to produce less than optimal substantive and relationship outcomes. In such situations, one party tends to leave satisfied as the other leaves frustrated or angry, ready to consider ways to exact revenge. Or, as

we saw in our example, both partners might become dissatisfied with a compromise solution. Interest-based negotiation offers the potential of coming up with creative solutions that significantly increase the satisfaction level of all stakeholders in terms of *substantive* (terms of the agreement), *psychological* (emotional climate and ongoing relationship), and *procedural* (processes used to reach agreement), outcomes.

A Negotiation Primer

The keys to interest-based negotiations are a combination of appropriate attitude and skills. Interest-based negotiators put on “collaborative problem solving hats,” believing in each partner’s ability to understand the interests of the other and to consider options that create value and meet mutual needs. We can summarize the essential steps in interest-based negotiation as follows:

- Define the Issue
- Emergence of Interests
- Create Options
- Evaluate Options
- Decide on Solution or Combination of Solutions
- Create an Action Plan

Define the Issue

In positional bargaining, each party tends to view the other as an adversary competing over a fixed quantity of resources, goods, services, or outcomes. Each party sees the other as “the problem.” In interest-based negotiation, parties view the other as a partner and the disagreement as a dilemma or challenge to be solved *together*. To build this collegiality, it is often useful to phrase the issue as a “how to” statement with an action verb and desired result incorporating each of the party’s interests: i.e., “How to use this orange for both crepes and duck sauce.”

Emergence of Interests

The temptation will be to offer solutions at this point. Remember that these initial solutions are, in fact, predetermined positions that are likely based on an incomplete understanding of the essential underlying needs of each of the parties. It will be more helpful to “back-pocket” these potential solutions for right now and concentrate on emerging and understanding interests—the “motivators” which drive these initial ideas. Interests give negotiators a much more comprehensive understanding of the concerns and needs of all relevant stakeholders. When interests are articulated, the benefits that will accrue from negotiated solutions can be identified.

Two essential skills are very helpful in uncovering the interests behind the positions. These skills are *reflective listening* and *chunking*.²

Reflective listening ensures that one person’s needs and interests are heard and understood by another. When a speaker is confident she is understood, she tends to trust the listener with more deeply held interests. A reflective listener pays careful attention to the content and emotion

offered by a speaker and searches the speaker's statements for what is most important to the speaker from the speaker's frame of reference or point of view. The listener then uses her own words to state back to the speaker the *essence* of what has been heard and understood. This brief *reflection* ensures clear understanding between both parties and allows them to gain rapport and engage in the high-quality thinking essential for creative resolution of disagreement.

Chunking, a computer programming term used to indicate the movement of ideas between various levels of abstraction, helps parties to a disagreement move from positions to interests. One of the easiest ways to help a person identify her or his underlying interests is to first reflectively listen. Then, after demonstrating understanding, the listener can use "chunking questions" to help the other party uncover underlying interests. The questions can take one of the forms presented in Table 2.

While these questions may be initially awkward to ask, experience shows that they elicit underlying interests without producing the defensiveness of the equivalent question, "Why do you want that?"

The responses to chunking questions usually contain underlying interests. When the parties to a negotiation each offers her or his own underlying interests, the parties are on their way to uncovering a creative solution based upon the now public interests. It is often helpful to sort through interests by jointly coding them as "similar," "different," or "incompatible".³ In the many times we have used this procedure, almost all interests come up as similar or different, as opposed to incompatible (which is what most people believe to be true when they engage in position-based negotiation). Neither category (similar or different) poses insurmountable problems if the parties maintain a positive working relationship, do not see the world as zero-sum, and use creativity and positive intent to generate good options.

X = the person's stated need or position.
"What will having ___X___ do for you?"
"What difference would it make for you to have ___X?"
"How would it be helpful or beneficial to get ___X?"
"How would tomorrow be different from today if you could successfully accomplish ___X?"
TABLE 2: CHUNKING QUESTIONS

Create Options

While creating options, each party strives to address the interests coded as similar or different. This is typically accomplished during a brainstorming session to identify all options that would meet at least some of the interests. The key here is to open nonlinear thinking—to allow

imagination to flourish. Keep in mind the principle: “Invention before Decision.” While all options are viable at this stage, those that clearly contradict key interests of the other party are not likely to survive in this collaborative process.

Evaluate Options

This is a critical step because “all-or-nothing” thinking tends to predominate during disagreement and conflict. It is tempting at this stage for one or more of the parties to advocate for their original, predetermined solution. This move might be perceived as manipulation by the other party. To avoid this, and to preserve all workable options, standards are determined by which the many options are evaluated. Obviously, one important standard is, “Does it meet most or all of the essential interests of the parties?” In our work, other standards that have proved to be helpful are *workable* (If you wanted to do it, could you pull it off?), *acceptable* (Can you sell it to critical constituents that have to approve and implement it), and *affordable* (Do you have a good chance of obtaining the resources necessary for implementation?) At this stage, we often use a grid upon which consecutively numbered options are placed. Negotiators then review the options and indicate those that meet the identified standards.

Decide on Solution or Combination of Solutions

Most likely, several of the options will be viewed as desirable at this point. These options might now be sequenced as steps in an overall plan, or they can be prioritized as first choice or contingency options.

Create an Action Plan

Here one wants to be as specific and detailed as possible. Who is going to do what, with whom, by when? What milestones must be reached to know if we are making progress? How will we evaluate results? How might we continue to learn from the experience.

Utility for Government Finance Officers

Why might knowledge, competence and confidence in this approach be valuable to Government Finance Officers? Public sector leaders are increasingly operating in a world of shared governance where collaborative public management approaches are key to success. GFO's perform a critical function in the distribution of various resources, and their decisions affect multiple and important stakeholders. They serve in a distinctive and highly visible broker role between stakeholders and government entities, and they know they must judge requests for additional resources against competing interests while weighing organizational priorities and/or return on investment.

Most importantly, GFO's know that *how* they go about negotiating is ultimately as important as *what* they end up with in the agreement. As critical stakeholders compete for limited resources to address their justifiable needs, they need to feel that the holders of those resources are negotiating with them in ways they perceive as well intentioned, helpful and fair. The interest-based approach, with its emphasis on identifying mutual needs, creative problem solving, and evaluating options against agreed upon standards, offers the potential of substantially increasing satisfaction levels not only in the terms of the agreement, but also in the relationship and the

process by which negotiations are conducted. It offers a highly valuable common language as well as a set of carefully articulated principles, steps, and techniques that are being recognized and adopted by an increasing number of stakeholders in discussions regarding critical public issues. As such, this approach will be an important leadership competency for GFO's to master and utilize.

Notes

1. The chef example adapted from Glenn Allen-Meyer with Neil H. Katz. *NAMELESS Organizational Change*. (Saratoga Springs, N.Y.: Talwood-Craig, 2000).
2. Neil H. Katz and John W. Lawyer. *Communication and Conflict Resolution Skills*. (Dubuque, Iowa: Kendall/Hunt, 1993).
3. Adapted from training material developed by Christina Sickels Merchant.

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